



State of California – Health and Human Services Agency
Department of Health Services

Section 75025 (\$60M) Criteria



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**Division of Drinking Water and Environmental Management
Ranking Criteria for Projects**

Proposition 84: The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resources Code Section 75001 et seq.)

Prevent or Reduce the Contamination of Groundwater That Serves as a Source of Drinking Water (\$60 Million)

Purpose

The sum of sixty million dollars (\$60,000,000) shall be available to the Department of Health Services for the purpose of loans and grants for projects to prevent or reduce contamination of groundwater that serves as a source of drinking water. The Department of Health Services shall require repayment for costs that are subsequently recovered from parties responsible for the contamination. The Legislature may enact legislation necessary to implement this section.

Background

Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 was passed by the voters of California in the general election of November 5, 2006.

The California Department of Health Services (CDHS) is responsible for implementing Public Resources Code (PRC) Sections 75020 through 75023 and 75025 (Chapter 2 Safe Drinking Water and Water Quality Projects). The Proposition 84 initiative calls for a benefit for disadvantaged communities to obtain funding for needed drinking water system improvements, which is reflected in the ranking criteria in Table 1-75025.

The general process for CDHS funding of Prop 84 projects is as follows:

1. Pre-application submitted by applicant
2. Pre-application reviewed and project ranked by CDHS (using table 1-75025)
3. Project Priority List established
4. Projects invited to submit a full project application or feasibility study application (if applicable)
5. Complete project application submitted by applicant
6. Application evaluated by CDHS
7. Commitment letter issued by CDHS
8. Conditions of letter of commitment are met by applicant
9. Funding agreement issued by CDHS

Procedures for Development of Project Ranking Criteria

To address the requirements of Proposition 84, CDHS drafted criteria for the ranking of projects, and posted on the CDHS website the draft proposed criteria. CDHS also solicited input from industry and other groups, via a stakeholders group.

CDHS held three public meetings to present and receive input on the revised draft criteria. These were held on March 27 in Chino, March 28 in Visalia and March 30, 2007, in Sacramento. CDHS also invited public comments to be submitted through April 13, 2007. Those comments were considered in developing this draft criteria. The final criteria will be posted on the CDHS website.

General Project Ranking Criteria and Project Funding Protocol

Process

1. CDHS reserves the right to modify these criteria, in consultation with appropriate stakeholder groups, as necessary to effectively implement this program. The criteria in effect when an applicant is invited to submit an application will apply to the project or feasibility study addressed by that application.
2. Initial invitations will be sent in 2007 to all public water systems to submit a pre-application for each project. The invitations to apply will include a deadline for submission of pre-applications. CDHS reserves the right to establish such deadline for each notice of funding availability (open pre-application period). Pre-applications not submitted by the deadline will not be considered or ranked for that invitation cycle. Invitations for pre-application will occur on a yearly basis.
3. Based on the information submitted in the pre-application, the projects will be reviewed by CDHS staff for eligibility and a preliminary score will be assigned to the project using the criteria for the grant program(s).
4. The draft ranking lists will be subject to review by a stakeholders' group and then released for public comment before they are finalized by CDHS. Once the lists are adopted, CDHS will invite projects, representing the total amount of available funding in that funding cycle, to submit complete applications, and will send grant application forms to those interested applicants. The grant application forms will include a deadline for submission of a complete application. CDHS reserves the right to establish such deadlines for each round of invitations to submit an application, and for each type of application. Only complete applications submitted by the deadline will be accepted for evaluation by CDHS. An application which is not complete or is not submitted by the deadline will be bypassed for that funding cycle.
5. After an application is deemed complete and has been evaluated and the project has been determined to be eligible for funding, CDHS will issue a letter of commitment to the applicant with a list of any conditions to be met before issuance of a funding agreement. Commitment letters will include a deadline for meeting all such conditions. These conditions may include, but are not limited to, completion of California Environmental Quality Act (CEQA) compliance, an approved Labor Compliance Plan, and submittal of final project plans and specifications. Upon the applicant's timely submission of additional information to satisfy conditions, the

additional information will be reviewed and, if satisfactory, a funding agreement will be executed. Failure of the applicant to satisfy all conditions by the deadlines established in its commitment letter may result in the project being bypassed for that funding cycle.

6. Applicants may be reimbursed for expenses incurred for preliminary and construction costs determined by CDHS to be eligible. Eligible preliminary costs may include planning, engineering, design, environmental documentation, and labor compliance. Construction expenses, in order to be eligible, must have been incurred after the applicant receives a letter of commitment from CDHS. Reimbursement will occur in arrears after the funding agreement is executed. Construction costs cannot be incurred until CEQA is completed and the applicant has an approved labor compliance plan.
7. Eligible project costs are limited to facilities sized to serve no more than the 20-year demand projected in an Urban Water Management Plan or the 20-year demand projected in a comparable public water system planning document. If an applicant does not have an Urban Water Management Plan or comparable document, the eligible project costs are limited to facilities sized to serve no more than 10% above existing water demand at peak flow. A pipeline used to consolidate or interconnect water systems shall be sized to meet the needs of, and be consistent with, the current specifications of the resulting water system
8. If a project design exceeds 10% of the water demand at peak flow and if the applicant is required to prepare an Urban Water Management Plan pursuant to California Water Code Section 10610 et seq., then a copy of the plan shall be submitted to CDHS. The proposed project must be consistent with the system's most recent urban water management plan.
9. Proposition 84 grant funds cannot be used for operation and maintenance activities.
10. Grants to privately owned water systems that are regulated by the California Public Utilities Commission (CPUC) will be subject to the CPUC's review and approval and the CPUC's directives and/or general order(s), including CPUC Decision 06-03-015, addressing the water system's use of grant funds, intended to prohibit private gains from public funds.
11. Privately owned public water systems not regulated by the CPUC (e.g. mutual water companies and mobile home parks), will be subject to conditions and restrictions implemented by CDHS to prohibit private gains from public grant funds. These conditions/restrictions will be same as those implemented for Prop 50 grant funding.
12. A project must start construction no later than one year following the date of a funding agreement execution. The project must be completed within three years following the date of the funding agreement execution.
13. A review of the cost effectiveness of the project will be part of the approval process. The application must include a life cycle cost analysis (minimum of 10 years) including the operations and maintenance costs for each alternative.
14. Each applicant will be required to fully evaluate consolidation as a project alternative. If the proposed project is not consolidation or equivalent, the application must demonstrate that

consolidation is not feasible to resolve the problem. Failure to address consolidation may result in bypass of the project for funding.

Disadvantaged Communities

PRC Section 75005(g) defines disadvantaged community. The ranking criteria for section 75025 include disadvantaged community status. As used in these ranking criteria, the income evaluation shall be based on one of the following:

- (a) the Median Household Income (MHI) of the entire service area OR
- (b) the MHI of a separate existing public water system whose entire service area meets the definition of a disadvantaged community which will consolidate forming a restructured water system, OR
- (c) the MHI of a community that is part of the public water system's service area, where each census tract in that part of the service area is identified in the project and meets the definition of a disadvantaged community, and the primary purpose of the project is to benefit that community.

Definitions

1. "Applicant" means the entity that signs the Letter of Commitment and Funding Agreement
2. "Bypass" means that a project will not be provided funding in the current funding cycle, but will remain on the project priority list for future funding opportunities.
3. "Community water system" is defined pursuant to Health and Safety (H&S) Code Section 116275(i) as a public water system that serves at least 15 service connections used by year-long residents or regularly serves at least 25 year-long residents of the area served by the water system.
4. "Consolidation project" means a project that involves the restructuring of two or more water systems into a single public water system through physical consolidation of the water systems.
5. "Disadvantaged community" means a community with an annual household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with an annual household income that is less than 60% of the statewide annual median household income.
6. "Feasibility Project" means projects that include an engineering analysis to identify possible solutions to the specific problem of the public water system. Such studies may include a variety of project related activities undertaken prior to construction of facilities. A feasibility study typically evaluates alternative solutions with respect to the technical/operational, and economic aspects and can include completing the environmental documents for the project. The study results can provide managers of the water system an objective appraisal and merits of alternative solutions. Feasibility studies may include engineering, state and federal

environmental compliance, laboratory testing, legal and administrative expenses, and the drilling of test wells.

7. "Notification Level" is a health-based advisory level established by CDHS for chemicals in drinking water that lack maximum contaminant levels ([MCLs](#)). When chemicals are found at concentrations greater than their notification levels, certain requirements and recommendations apply.
8. "Public water system" is defined pursuant to H&S Code Section 116275(h) as a system for the provision of water that has 15 or more service connections or regularly serves at least 25 individuals at least 60 days out of the year.

Chapter 2, Section 75025: Grant to Prevent or Reduce Contamination of Groundwater That Serves as a Source of Drinking Water (\$60 Million)

These funds may be used for the purpose of providing grants for projects to prevent or reduce contamination of groundwater that serves as a source of drinking water. CDHS shall require repayment for costs that are subsequently recovered from parties responsible for the contamination. The legislature may enact legislation necessary to implement this section.

Prevent or Reduce Contamination of Groundwater Specific Eligibility Criteria

1. Projects eligible under this section include:
 - Local and regional groundwater remediation/treatment projects
 - Properly constructed replacement wells to avoid contaminated strata.
 - Reconstructing or refurbishment of existing well to seal off contaminated zones
 - Treatment or construction of blending facilities to address contaminated well.
 - An Aquifer Storage and Recovery (ASR) project that stores surface water in the ground and extracts and blends with contaminated wells during high demand periods.
 - Project that uses treated surface water to blend with contaminated well water.
 - Project to remediate contaminate plume to prevent migration of contaminants to drinking water sources
 - Proper destruction of an abandoned well
 - Projects designed to prevent additional discharge of contamination into groundwater aquifers used as a source of drinking water
2. The maximum grant for a project is \$5 million. For a regional project each eligible participant is allowed \$5 million. The total amount of grant awarded by CDHS to an applicant under Proposition 84, Sections 75022 and 75025 will not exceed \$15 million. These limitations do not apply to funding from other agencies. Feasibility studies and construction costs are included as part of the \$5 million limit per project.
3. Projects will be assigned points in accordance to Table 1-75025. Projects will be ranked based on the number of points assigned to the proposal, with the largest points ranked highest. For proposals with the same number of points, projects will be ranked by their Median

Household Income (MHI). In this case, an applicant with the lowest MHI will be ranked higher. Public schools eligible for funding will be assigned 10 points for the Applicant MHI criterion in Table 1-75025.

4. Eligible applicants are community water systems that hold or have applied for a domestic water permit pursuant to Health and Safety Code section 116525, public agencies and non-profit organizations.
5. Consolidation projects may include costs necessary to improve applicant's distribution system to existing requirements of resulting water system, subject to grant limitations.
6. CDHS shall be reimbursed by an applicant that has received funds pursuant to this section, to the extent that the applicant receives payment from any source to cover the costs for which it received funding under this section. CDHS shall transfer any reimbursements received from an applicant into the Proposition 84 fund that provided the moneys. CDHS will not require an applicant to pursue cost recovery from responsible persons for funds received pursuant to this section that total one million dollars or less. At the time of the application the applicant should identify, if known, the responsible parties.
7. The cost for feasibility studies are eligible for funding under this section and can be incorporated as part of a construction project in a phased project.
8. The maximum amount of funding for a feasibility study is \$500,000. Feasibility studies must be completed within 18 months following the funding agreement execution. The award of a feasibility study grant does not guarantee that a subsequent construction grant will be available or offered.
9. Eligible project costs include cost to meet applicable drinking water standards (primary and secondary)
10. This fund cannot be used as matching funds for Proposition 50 projects.

Table 1-75025			
Ranking Points			
Applicant/Project Characteristic	Criteria	Points	
Regulatory Status of Principal Contaminant Addressed in groundwater basin by the proposed project	Contaminant w/ MCL	4	
	Contaminant w/ PHG, but MCL not yet adopted	3	
	Contaminant with Notification Level	2	
Health Risk of Principal Contaminant Addressed by the proposed project	Acute effects, developmental effects, or effects from shorter-term exposures	4	
	Carcinogen by ingestion + effects from chronic, longer term exposures	3	
	Carcinogen by ingestion	2	
	Chronic effects	1	
Number of Contaminants in a Drinking Water Supply Exceeding a Primary MCL to be Addressed	4 or more contaminants	4	
	3 contaminants	3	
	2 contaminants	2	
	1 contaminant	1	
Applicant MHI	$\leq 20\%$ Statewide MHI	10	
	$20\% < \text{SMHI} \leq 40\%$	8	
	$40\% < \text{SMHI} \leq 60\%$	6	
	$60\% < \text{SMHI} \leq 80\%$	4	
	$> 80\%$ SMHI	0	
Consolidation/ Interconnection	Number of Service Connections	≤ 500	> 500
	physical consolidation with another system or interconnection (not consolidation) with another system or	6	4
	managerial consolidation	4	2
		3	1
Regional Projects	Projects that address regional water issues with 3 or more systems	4	
Additional Project Benefits	Provides Treatment	3	
Impact on DW Sources	Contaminant has reached active PWS source and has been detected $< \text{MCL}$	3	
	Contaminant has not reached PWS source but is w/in 2 year TOT	2	
	Contaminant has not reach PWS source but is within 2-10 year TOT	1	

* Principal is defined as the contaminant with the highest health risk